

Message Text

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SUBJECT: KOREAN OVERSEAS CONSTRUCTION INDUSTRY

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SUMMARY: THIS MESSAGE CONSTITUTES A MID-YEAR UPDATE AND SUMMARY OF SIGNIFICANT DEVELOPMENTS AFFECTING KOREAN OVERSEAS CONSTRUCTION INDUSTRY ACTIVITY AS REPORTED IN THE AIRGRAM UNDER REFERENCE. AS OF JUNE 1976, KOREAN CONTRACTORS EXCEEDED THE \$1.2 BILLION 1976 TARGET FOR NEW CONTRACTS BY 22.5 PER CENT IN TAKING APPROXIMATELY \$1,470 MILLION IN BIDS ALMOST ALL OF WHICH ARE IN MIDDLE EAST OPEC COUNTRIES. THE SAUDI RIVAL WAS DESIGNATED IN JULY AS A FOREIGN CURRENCY WHICH KOREAN BANKS MAY PROVIDE IN AMOUNTS UP TO 20 PERCENT OF ANY LOANS THEY MAY MAKE JOINTLY WITH FOREIGN BANKS. FOREIGN EXCHANGE REGULATIONS HAVE BEEN EASED TO PERMIT HIGHER SALARY AND EXPENSE PAYMENTS TO KOREANS WORKING ABROAD. THE PUBLISHED FOURTH FIVE YEAR PLAN CONTAINS LOWER CONSTRUCTION SERVICE EXPORT TARGET FIGURES THAN THOSE EARLIER UNDER DISCUSSION WITHIN THE MINISTRY OF CONSTRUCTION. THE ROKG EXPECTS AN ADDITIONAL \$486 MILLION IN NEW CONTRACTS DURING THE REMAINDER OF 1976, INCLUDING INITIAL ENTRY INTO EGYPT.

END SUMMARY.

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MID-YEAR RESULTS

THE CONSTRUCTION MINISTER REPORTED ON JUNE 30, 1976 THAT KOREAN CONSTRUCTION FIRMS HAVE TAKEN \$1,469,970,000 IN NEW CONTRACTS THUS FAR IN 1976 AND EXPECT TO OBTAIN AN ADDITIONAL \$486,726,000 IN THE NEAR FUTURE. THE MID-YEAR TOTAL STANDS AT 22.5 PERCENT ABOVE THE 1976 TARGET OF 1.2 BILLION AND WOULD CLOSE THE YEAR AT 163 PERCENT OF TARGET IF PRESENT EXPECTATIONS MATERIALIZE.

NEW FIRST HALF CONTRACTS WERE CONCENTRATED MAINLY IN THE MIDDLE EASTERN OPEC COUNTRIES (\$1,422,969,000) WITH THOSE IN OTHER AREAS SUCH AS SOUTHEAST ASIA (\$32,796,000), AFRICA (\$9,955,000) AND THE PACIFIC ISLANDS (\$4,523,000) REACHING MUCH LOWER TOTALS. THESE TOTALS REPRESENT A QUADRUPLING OVER THE \$289 MILLION RECORDED FOR THE SAME PERIOD IN 1975.

FOUR FIRMS DOMINATE

THE CONTRACT FOR THE SECOND JUBAIL PORT CONSTRUCTION SIGNED ON JUNE 16 (REPORTED SECOND REFERENCE) PUT HYUNDAI CONSTRUCTION CO. FAR AHEAD OF ITS COMPETITORS WITH A TOTAL OF \$1,478,434,000 IN NEW OVERSEAS CONTRACTS SINCE OCTOBER 1975. DAE LIM INDUSTRIAL CO. FOLLOWS WITH \$486,530,000, SAMWHAN CORP. WITH \$170,672,000 AND DONG AH CONSTRUCTION AND INDUSTRIAL CO. WITH \$134,327,000 SINCE OCTOBER 1975. IN LATE JUNE, DONGSAN ENGINEERING CO. WON A \$9,955,240 CONTRACT FOR CONSTRUCTION OF THE EL SHAMS HOTEL IN CAIRO THEREBY MARKING THE INITIAL KOREAN ENTRY INTO EGYPT. APPROXIMATELY 37 FIRMS ARE NOW ENGAGED IN 25 COUNTRIES AND AREAS OF THE WORLD EMPLOYING 10,120 KOREAN WORKERS ABROAD.

FOREIGN EXCHANGE

EFFECTIVE JULY 1, 1976 THE SAUDI RIYAL IS INCLUDED AMONG THE FINANCE MINISTRY LISTING OF FOREIGN CURRENCIES IN WHICH KOREAN BANKS MAY DEAL. REGULATIONS NOW PERMIT THAT UP TO 20 PERCENT OF THE FOREIGN CURRENCY LOANS PROVIDED BY KOREAN BANKS WHERE THEY ARE ACTING TOGETHER WITH FOREIGN BANKS MAY BE IN RIYALS.

ADDITIONALLY THE MAXIMUM DAILY FOREIGN EXCHANGE ALLOWNCE FOR THE TRAVELLING EXPENSES OF A KOREAN CITIZEN IN THE MIDDLE EAST IS UNCLASSIFIED

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NOW \$150 BUT IS LIMITED TO \$100 ANYWHERE ELSE.

FIRST HALF GROSS FOREIGN EXCHANGE REMITTANCES AS ESTIMATED BY THE MINISTRY OF CONSTRUCTION TOTALLED \$85,915,000, AN INCREASE OF 64 PCT OVER THE \$52.3 MILLION RECORDED FOR ALL OF 1975.

FOURTH FIVE YEAR PLAN PROJECTIONS FOR OVERSEAS CONSTRUCTION

OVERSEAS CONSTRUCTION INDUSTRY TARGETS IN THE PUBLISHED FOURTH FIVE YEAR DEVELOPMENT PLAN ARE MORE CONSERVATIVELY STATED THAN THOSE UNDER DISCUSSION WITHIN THE MINISTRY OF CONSTRUCTION AT THE TIME OF THE FIRST REPORT UNDER REFERENCE. NEW OVERSEAS CONSTRUCTION TARGETS APPEAR (IN MILLIONS OF U.S. DOLLARS) AS:

	1976	1977	1978	1979	1980	1981
CONTRACTS	1,200	1,800	2,600	3,600	4,000	4,000
SERVICE						
RECEIPTS B/P	88	164	240	352	496	608

AS INDICATED ABOVE, 1976 TARGETS HAVE ALREADY BEEN EXCEEDED AND THERE IS EVERY EXPECTATION THAT 1976 RESULTS CAN EXCEED 1977 TARGET LEVELS. ASSUMING REASONABLE GROWTH AND STABLE ECONOMIC CONDITIONS IN THE MIDDLE EAST, PLAN TARGETS SHOULD BE EASILY ATTAINABLE.

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